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SUBJECT: SEOUL - PRESS BULLETIN; October 7, 2009

TOP HEADLINES

Chosun Ilbo
NGOs Allegedly Embezzled Hundreds of Millions of Won
in Government Subsidies

JoongAng Ilbo
Korea Development Bank May Withdraw Loans
from GM Daewoo

Dong-a Ilbo
ROK, Japan Mull Daylight Saving Time for Next Year

Hankook Ilbo
Prosecutors Did Not Investigate Hyosung Group Even after Being
Tipped Off about Its Illegal Activities

Hankyoreh Shinmun
Blue House Pressures Three Telecom Service Operators for KRW 25
Billion in Donations

Segye Ilbo, Seoul Shinmun, All TVs
Kim Jong-il Signals "Conditional Return to Six-Party Talks"

DOMESTIC DEVELOPMENTS

Foreign Minister Yu Myung-hwan, in an Oct. 6 seminar with the media,
said that the latest North Korea-China economic cooperation deals
may be in violation of the UN Security Council resolutions imposed
on North Korea, adding: "We have expressed our interest in these
matters and expect China to explain itself." (Dong-a)

According to an ROKG source, the four North Korean containers seized
in Busan last month for allegedly carrying items related to chemical
weapons were headed for Syria. (Dong-a)

INTERNATIONAL NEWS

According to North Korea's official Korean Central News Agency, North Korean leader Kim Jong-il told visiting Chinese Premier Wen Jiabao on Oct. 5 that North Korea is "willing to participate in multilateral talks, including the Six-Party Talks, depending on the outcome of its talks with the U.S." (All)

According to an ROKG source, ROK and U.S. intelligence authorities think that there is a high possibility that North Korea this month may complete restoring its Yongbyon nuclear facilities (disabled under previous accords) and resume reprocessing spent fuel rods. (Dong-a, Hankook, Segye, Seoul)

MEDIA ANALYSIS

-N. Korea

All media gave prominent play to North Korean leader Kim Jong-il's hint at the possibility of a conditional return to the Six-Party Talks during Oct. 5 talks with visiting Chinese Premier Wen Jiabao. The North Korean leader was widely quoted as saying: "Depending on the outcome of its talks with the U.S, North Korea is willing to participate in multilateral talks, including the Six-Party Talks."

State Department Spokesman Ian Kelly was also widely quoted in statements he made about the Six-Party process, calling it "the best mechanism for achieving denuclearization" on the Korean Peninsula.

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Conservative Dong-a Ilbo quoted a Blue House official as saying: "The North's hint at its possible return to the Six-Party Talks is positive, but we cannot say that the situation has changed since Pyongyang has suggested bilateral talks with Washington as a precondition." Dong-a also noted Foreign Minister Yu Myung-hwan's remarks during a seminar yesterday, in which he said that the latest North Korea-China economic cooperation deals may be in violation of the UN Security Council resolutions imposed on North Korea, adding: "We have expressed our interest in these matters and expect China to explain itself."

Most media described Kim's mention of the Six-Party Talks as "progress," but observed that the focus of Kim's latest remarks appears to be on bilateral talks with the U.S., rather than the Six-Party Talks. In particular, conservative Chosun Ilbo commented that Kim's remarks are only "lip service" to China and constitute a de facto refusal by the North to participate in the Six-Party Talks and a clear expression that the North will instead concentrate on bilateral talks with the U.S. Chosun went on to report that Chinese officials are apparently taken aback by the North Korean leader's statement because they see little in it that signals progress over his expressed willingness to engage in "bilateral and multilateral talks," which was conveyed to Chinese State Councilor Dai Bingguo when he visited Pyongyang on Sept. 18.

Newspapers carried the following headlines: "Conditional Return to Six-Party Talks... Kim Jong-il Remains Unchanged" (conservative Chosun Ilbo); "Kim Jong-il Pockets \$20 Million in Aid from China in Return for Conditional Return to Six-Party Talks" (right-of-center JoongAng Ilbo); N. Korea Sets 'Traps of Conditions' to Return to Six-Party Talks" (conservative Dong-a Ilbo); and "China Saves Face, while N. Korea Wins Practical Benefits" (conservative Segye Ilbo)

Conservative Chosun Ilbo editorialized: "North Korean leader Kim Jong-il's statement, 'That North Korea is ready to hold multilateral talks and these talks include the Six-Party Talks suggests that they may, depending on circumstances, push for trilateral talks between the U.S., North Korea and China, instead of the Six-Party Talks. After all, Chinese Premier Wen's visit to Pyongyang resulted in massive economic aid to North Korea in return for the North's mere "expression of willingness" to return to multilateral talks, instead of its clear promise to return to the Six-Party Talks.."

Right-of-center JoongAng Ilbo's editorial argued: "... North Korean leader Kim Jong-il's position reveals his belief that discussion on the nuclear issue should be between the U.S. and North Korea, and that the Six-Party Talks will confirm (whatever outcome results from those talks). However, the U.S. believes that any discussions about the resolution of the nuclear issue must be within the framework of the Six-Party Talks and that U.S.-North Korea dialogue should serve as a stepping stone for the multilateral talks. A visit to Pyongyang by U.S. Special Representative for North Korea Policy Stephen Bosworth is (more) likely to happen if this difference in position is narrowed to some degree."

Conservative Dong-a Ilbo editorialized: "It is highly likely that the North mentioned the Six-Party Talks as a face-saving measure for China. China's (economic) assistance may also violate U.N. Security Council Resolution 1874 sanctioning North Korea. ... If Beijing promised assistance banned by the U.N. to maintain its influence over Pyongyang, it does not deserve a seat at the U.N. Security Council. Rather, this could further encourage North Korea to develop nuclear weapons, judging that international sanctions against it might no longer be as strict as they used to be."

Moderate Hankook Ilbo editorialized: "The ball is now in other Six-Party countries' court. ... The U.S. is likely to take cautious steps to make sure that North Korea will return to the Six-Party Talks while the international community continues to cooperate to enforce sanctions against North Korea. The U.S., however, should not miss this rare opportunity by moving too slowly."

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OPINIONS/EDITORIALS

NO POINT IN SIX-PARTY TALKS IF THEY ONLY CONFIRM WHAT IS DISCUSSED
IN U.S.-NORTH KOREA BILATERAL TALKS
(JoongAng Ilbo, October 7, 2009, Page 42)

During North Korean leader Kim Jong Il's meeting with Chinese Premier Wen Jiabao on October 5, Kim reportedly expressed that, depending on the outcome of talks with the U.S., the North would be willing to conditionally rejoin the Six-Party Talks. This is a step forward from his previous position that "the Six-Party Talks are gone forever." The statement also appears to be a face-saving measure for China, which (evidently) promised the North massive economic aid. Whatever the reason, (Kim Jong Il's hint at rejoining the Six-Party Talks) is a welcome advance in his position. However, since the Six-Party Talks are not expected to resume soon, and the North did not (explicitly) promise to denuclearize, we cannot see this as a reversal of the current situation. This is why the ROK, the U.S., and Japan are reacting cautiously while China welcomes the result of the Kim-Wen meeting, going so far as to say that it has helped them to reach an "important consensus" and bring about "active progress" in the pursuit of denuclearization of the Korean Peninsula.

(The North's) statement may (still) facilitate U.S.-North Korea dialogue, however, despite there being a wide difference between the North and the U.S. over the perception of the nature of the bilateral talks. Kim's position reveals his belief that discussion on the nuclear issue should be between the U.S. and North Korea, and that the Six-Party Talks will confirm (whatever outcome results from those talks). However, the U.S. believes that any discussions about the resolution of the nuclear issue must be within the framework of the Six-Party Talks and that U.S.-North Korea dialogue should serve as a stepping stone for the multilateral talks. A visit to Pyongyang by U.S. Special Representative for North Korea Policy Stephen Bosworth is (more) likely to happen if this difference in position is narrowed to some degree.

Right after the outcome of the Kim-Wen meeting was disclosed, the U.S. Department of State released a statement concluding that the five parties (excluding the North) had agreed that "the Six-Party process (would serve as) the best mechanism (for resolving the nuclear issue)." The State Department also stressed that the five

parties had reached a consensus on the complete enforcement of the resolution of UN Security Council sanctions. We believe that the USG should continue to maintain this stance. Looking back to how the North Korean nuclear issue has unfolded over the past two decades, we think that there is no alternative (to the Six-Party Talks). The reason for this is that, even though Kim Jong-il has maintained that the denuclearization of the Korean Peninsula was the dying wish of (his father,) North Korea's founder Kim Il-sung, the younger Kim's actions have not matched his words. We cannot simply believe what he says and expect the nuclear issue to be resolved. The two-track approach of "pressure and dialogue" should be maintained until there is an assurance that North Korea abandons its nuclear (ambitions.).

President Lee Myung-bak will attend the ROK-U.S. summit on October 9 and the ROK-China-Japan summits on October 10. During these summits, he should not only figure out North Korea's true intentions but also clearly state the ROK's position. He should try to calm controversy over the "grand bargain" proposal and ensure that the five parties adhere to the agreements that "the nuclear issue should be resolved within the Six-Party framework" and "the UNSC sanctions should be maintained unless the North shows any change in its attitude." In particular, the ROK should closely coordinate its (North Korean) policy with the U.S., which will have bilateral dialogue with the North, and China, which maintains a special relationship with the North.

CHINA'S FAILURE TO DO MORE

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(Dong-a Ilbo, October 7, 2009, page 35)

China has failed to persuade North Korea to return to the Six-Party Talks in the near future. North Korean leader Kim Jong-Il told visiting Chinese Premier Wen Jiabao in Pyongyang Monday, "We are willing to go ahead with multilateral dialogue including the Six-Party Talks after looking at the outcome of bilateral talks with the U.S." Kim added, "Our relationship with the U.S. must turn peaceful through bilateral talks." By mentioning the Six-Party Talks, Kim apparently meant Pyongyang would return to them only if the North gets its way with Washington first. If China is content with his comment, it does not deserve to be the host of the Six-Party Talks.

Beijing is said to have promised substantial economic assistance to Pyongyang on the occasion of Wen's visit. His delegation signed several agreements, including an "exchange document on economic assistance." China will provide an estimated KRW 170 billion (USD 145 million) for the construction of a bridge over the Yalu River. It is highly likely that the North mentioned the Six-Party Talks as a face-saving measure for China.

China's (economic) assistance may also violate U.N. Security Council Resolution 1874 sanctioning North Korea. The resolution requires all member states and international financial and credit institutions not to enter into new commitments of grants, financial assistance, or concessional loans with the North, except for humanitarian and developmental purposes that directly address the needs of the civilian population or denuclearization. If Beijing promised assistance banned by the U.N. to maintain its influence over Pyongyang, it does not deserve a seat at the U.N. Security Council. Rather, this could further encourage North Korea to develop nuclear weapons, judging that international sanctions against it might no longer be as strict as they used to be.

China must clearly realize why North Korea insists on bilateral talks with the U.S. North Korea has long argued that the two countries must discuss nuclear disarmament in tandem with the signing of a peace treaty and withdrawal of U.S. forces from the ROK. If this argument is accepted, this means that Pyongyang is recognized as a nuclear power. Even if the Six-Party Talks are resumed, they will end up on the sidelines of North Korea-U.S. dialogue.

The international community must not be duped by North Korea's

tactics. U.S. Secretary of State Hillary Clinton said of the North Korea-China talks that the five parties of the ROK, the U.S., Japan, China and Russia have all agreed that the Six-Party Talks are the best way to resolve North Korea's nuclear program. This is a relief. The ROK's Foreign Minister Yu Myung-hwan also said yesterday, "North Korea's nuclear issue must be discussed in the Six-Party Talks." The ROK, China and Japan held a trilateral summit in Beijing Saturday. The leaders of these three countries can and should advance coordination efforts for the denuclearization of North Korea.

(This is a translation provided by the newspaper, and it is identical to the Korean version.)

CHINA WEAKENS IMPACT OF PRESSURE ON N. KOREA
(Chosun Ilbo, October 7, 2009, page 35)

North Korean leader Kim Jong-il told visiting Chinese Premier Wen Jiabao on Monday that his country is willing to attend multilateral talks, including the Six-Party Talks, depending on the progress in its talks with the United States. It was a shift from the vow never to return to the Six-Party Talks which the North made in protest against UN sanctions following its second nuclear test.

But Kim's comments contain strategic pitfalls and ambiguities that are trademarks of the Stalinist country's diplomatic style.

A prime example is the caveat that the North's return to Six-Party

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Talks depends on progress in bilateral talks with Washington, which seems to imply it wants rewards first. But the U.S. government wants to avoid promising rewards or discussing the specifics of North Korea's nuclear program during the meeting. That would make it difficult for North Korea to walk away with rewards, and the Six-Party Talks could once again be postponed indefinitely. That North Korea is ready to hold multilateral talks and these talks include the Six-Party Talks suggests that they may, depending on circumstances, push for trilateral talks between the U.S., North Korea and China, instead of the Six-Party Talks.

After all, Chinese Premier Wen's visit to Pyongyang resulted in massive economic aid to North Korea in return for the North's mere "expression of willingness" to return to multilateral talks, instead of its clear promise to return to the Six-Party Talks. In doing so, it is repeating the mistake of the past of rewarding North Korea before it has done anything, especially when UN sanctions are still in effect. This approach weakens international pressure on North Korea and the negotiating powers of the countries in the Six-Party Talks.

Kim repeated that denuclearization on the Korean Peninsula was the "last wish" of former leader Kim Il-sung and that Pyongyang would continue to achieve that wish. But North Korea has used that line in the past, only to shift back to supporting its nuclear weapons program citing "hostile" policies by the ROK and the U.S. Even if talks resume, this attitude shows that Pyongyang can quit again at any time, to say nothing of the trouble it can make during talks.

In bilateral talks between North Korea and the U.S., Washington could give Pyongyang a hint of the contents of the "comprehensive package" the allies are promising, but specific details should be left for the Six-Party Talks. U.S.-North Korea talks must be kept as brief as possible.

(This is a translation provided by the newspaper, and it is identical to the Korean version.)

LEE ADMINISTRATION MUST CHANGE NOW-OBSOLETE N. KOREA POLICY
(Hankyoreh Shinmun, October 7, 2009, page 31)

An important situational change in the North Korea nuclear issue has taken place over the past two days during the high-level meeting between North Korea and China. Meeting with Chinese Prime Minister

Wen Jiabao two days ago, Kim Jong-il, Commissioner of North Korea's National Defense Commission said North Korea is prepared to accede to multilateral talks, including the Six-Party Talks, because there has been progress in discussions about holding bilateral North Korea-U.S. talks..

The return to Six-Party Talks is conditioned on the results of bilateral North Korea-U.S. talks, but Kim's direct reference to the Six-Party Talks, which North Korean authorities had declared dead on several occasions, seems to be a signal that North Korea will return to the path of dialogue. The statement also indicates that the situation on the Korean Peninsula might move from sanctions that began with last spring's North Korean satellite launch and nuclear test towards dialogue.

Of course, even if dialogue begins, there are many mountains to cross. First, there is a high probability that North Korea will continue its push for bilateral talks, stressing that the starting point of the North Korean nuclear issue is U.S. hostile policy towards North Korea. Moreover, even if North Korea agrees to multilateral talks, a tug-of-war will ensue between the relevant countries over whether the talks should be six-party, three-party (North Korea, U.S., China) or four-party (the ROK, North Korea, China, U.S.). It is also unclear whether results from North Korea-U.S. bilateral talks will draw North Korea back as a participant in multilateral talks. Despite these uncertain factors, it is fortunate that tensions on the Korean Peninsula have settled and the door for dialogue has opened.

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The significance of this meeting between China and North Korea for the international community, including the ROK, is twofold, broadly speaking. First, with China agreeing to large-scale economic aid to North Korea, sanctions against North Korea have been rendered virtually powerless. With China, which accounted for over 70 percent of North Korean trade last year, pledging large-scale economic cooperation, pressuring North Korea through sanctions is nothing more than a joke.

The other point of significance is that the two nations have pledged to strengthen their friendship "for generations to come." This means China will support the North Korean regime in the long-term. One could say a honeymoon era between North Korea and China has begun. The Lee Myung-bak Administration is greatly at fault for letting the situation reach this point, because (the Administration) thoroughly blocked exchanges and cooperation with North Korea.

Having secured Chinese political and economic support, North Korea's will become more insistent in its demands with the ROK and the U.S..

Our government, however, says it will stick to pressuring North Korea through international cooperation, the limit of which was clearly displayed here. It is not too late. It is time for the Lee Administration to craft a new North Korea policy in line with the new changes.

(This is a translation provided by the newspaper, and it is identical to the Korean version.)

1N. KOREA THROWS BALL FOR SIX-PARTY TALKS INTO OTHER COUNTRIES' COURT

(Hankook Ilbo, October 7, 2009, page 39)

North Korean leader Kim Jong-il expressed a conditional willingness to return to the Six-Party Talks. During talks with Chinese Premier Wen Jiabao, Kim said, "North Korea is willing to participate in multilateral talks, including the Six-Party Talks, depending on the outcome of its talks with the U.S." This seems to be a considerable jump in progress from last month's meeting between Kim Jong-il and Chinese State Councilor Dai Bingguo, who was visiting Pyongyang as a Chinese presidential envoy. (During the meeting,) Kim said that the North would be willing to participate in bilateral and multilateral talks, but did not (specifically) mention the Six-Party Talks. There is even a probability that, depending on the outcome of U.S.-North Korea bilateral talks, discussions on the North Korean

nuclear issue may progress more rapidly following the resumption of the Six-Party Talks. (According to sources,) U.S. Special Representative for North Korea Policy Stephen Bosworth is expected to visit North Korea late this month.

Still, Kim Jong-il's intentions are dubious because he attached conditions (to a return to the Six-Party Talks.) This has led to suspicion that while his statement may have been a face-saving measure for China, the North intends to bide its time while avoiding international sanctions and pressure. It would be difficult for North Korea, which declared the Six-Party Talks dead (months ago), to issue a sudden announcement that it will return to the Six-Party Talks. Therefore it seems that Pyongyang needed time to find a justification (for its return to the Six-Party Talks.) Some analysts believe that North Korea and China must have made behind-the-scenes deals considering Chinese state media's report that there was significant progress on the North Korean nuclear issue during the Kim-Wen meeting.

The ball is now in other Six-Party countries' court. Attention is turning to what next move the Obama Administration, which has expressed its interest in holding bilateral talks with the North, will make. The U.S. is likely to take cautious steps to make sure that North Korea will return to the Six-Party Talks while the international community continues to cooperate to enforce sanctions against North Korea. The U.S., however, should not miss this rare opportunity by moving too slowly. Other Six-Party countries such as Japan should undertake more efforts to put the Six-Party Talks back on track. North Korea stuck to the expression of "multilateral

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talks" apparently to warn of the possibility of engaging in three-party or four-party talks excluding Japan.

The ROKG also should step up efforts (to resume the Six-Party Talks.) Our wait-and-see approach may leave us sidelined amid signs of a drastic change in developments (surrounding the Korean Peninsula.) The ROKG needs to take a more active approach to make President Lee's "grand bargain" proposal a practical and tangible concept since it has been criticized for being somewhat far-fetched.

STEPHENS